Steps to Take Before — And After — A Divorce

Going through a divorce is emotionally painful and can disrupt one's life in many ways — but does it also have to be financially devastating?

Not necessarily. You can help yourself greatly by making a series of moves. Here are some to consider:

Before the divorce is final …

• *Determine how you'll cover the cost of the divorce*. To meet the costs of a divorce, which can be tens of thousands dollars, you may need to tap in to your income stream and savings accounts, or even explore alternative options, such as borrowing from your retirement plan, if it's allowed by a divorce court judge.

• Create a budget. You may want to build a temporary budget. Your divorce attorney can advise you on how long your separation period may last in a contested case.

• *Start building separate bank and brokerage accounts*. Consult with your divorce attorney on ways to establish independent bank and brokerage accounts without harming your spouse.

• *Understand your retirement benefits*. Know the value of your and your spouse's 401(k) or similar plans, IRAs, pensions, stock options and other employer benefits. Also, you might need to negotiate the splitting of retirement benefits through a qualified domestic relations order (QDRO). A tax professional and a financial advisor can help you understand how different QDRO proposals can affect your retirement goals.

After the divorce is final …

• *Finish building your separate financial accounts*. You may want to close any joint accounts or credit cards, change online access to financial accounts, remove your name from bills for which you are no longer responsible and complete any agreed-upon asset transfers, such as dividing retirement assets.

• *Create a new budget*. You can now create a longer-term budget, incorporating any spouse or child support you receive as income. You may also need to adjust your spending to reflect items in the divorce agreement, such as expenses now covered by your former spouse and court-ordered responsibilities for paying college education expenses for dependent children and possibly the attorneys' fees for a former spouse.

• *Review your protection plans*. You may need to review your life, homeowners and auto insurance policies. And if you were covered under your spouse's health insurance plan, you may want to apply for COBRA to stay on that plan up to 36 months or switch to your own employer's plan, if available. If you don't have access to an employer's health insurance, you may want to explore a marketplace plan from the Affordable Care Act or contact a health insurance broker.

• *Review your estate plans*. To reflect your new marital status, you may need to work with your legal professional to change some of your estate-planning documents, such as a will, living trust, advanced health care directive or power of attorney. Also, review the beneficiary designations on life insurance policies, IRAs, annuities and investment accounts, as these designations can likely supersede instructions on your will or trust.

• *See your tax professional*. You may need to consult with your tax professional on issues such as changing your tax return filing status, claiming a child as a dependent and dealing with tax implications of assets received in the divorce.

Going through a divorce is not easy — but by taking the appropriate steps before and after the divorce is finalized, you can at least help put yourself in a more secure and stable financial position to begin the next phase of your life.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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